RentIT: Equipment Rental Services

RentIT is an equipment rental company that provides a wide range of construction equipment on demand, all the way from minor equipment items such as water pumps and drillers, to major equipment such as bulldozers, crawl dozers and cranes.

RentIT receives orders from construction companies, with which it maintains long-term relations. To maintain these relations, sales representatives (also called sales reps) meet periodically with existing customers to understand their upcoming demand for construction equipment, to find ways of better satisfying their needs, and to negotiate special terms and conditions. From times to times, these negotiations lead to amendments to the “framework agreement” that RentIT maintains with each of its customers.

The main process at RentIT is the order-to-cash process, which starts when a new Purchase Order (PO) is received via its information system. A PO consists of line items. A line items specifies an inventory item (i.e. a John Deer Crawl Dozer model K120), the number of units requested (typically one unit), and the start and end period of the rental. For simplicity, we will assume that all the equipment items requested in a given PO have the same start and end date (i.e. they all have to be delivered at picked up simultaneously).

When a Purchase Order (PO) is received, a sales representative at RentIT checks the PO and the availability of the equipment requested in the PO. This may lead to one of three outcomes: (i) the PO is accepted; (ii) the PO is rejected, in which the customer is informed and the case is closed; or (iii) a question is sent to the customer. In the latter case, the customer usually provides a response within three days.

Once the PO has been accepted, RentIT’s information system automatically marks the corresponding equipment item(s) is marked as “busy” for the duration of the rental. The system also schedules the delivery and pick-up of the equipment from/to the warehouse where the equipment is located. Deliveries and pick-ups are outsourced to an external logistics company.

On the due date, the logistics company picks up the equipment from RentIT’s warehouse and delivers it to the construction site. At the site, an engineer of the construction company (called a “site engineer”) checks the equipment together with the logistics agent. In general the delivery is accepted. Occasionally though, the site engineer rejects the delivery, for example of a defect in the delivered equipment or an error attributable to RentIT. In this latter case, the sales rep is alerted by RentIT’s information system. The sales rep contacts the customer immediately to negotiate an alternative arrangement. This may lead either to cancelling the PO, or scheduling a new delivery as soon as possible.

Normally, the equipment is picked up on the end date indicated in the PO. It may happen however that the customer asks for an extension to the deadline by sending an updated purchase order (also known as a “PO update”). When a PO update asking for a deadline extension request is received, the sales rep checks if it is possible to grant the extension. If so, the deadline extension is recorded in RentIT’s information system. If an extension is not possible, the deadline remains unchanged. In both cases, the customer is informed.
Once the equipment has been picked up, RentIT issues an invoice for the amount indicated in the latest version of the PO. Invoices should be paid 14 days after they are issued. If payment has not been received within this delay, a payment reminder is sent to the customer. If no payment has been received 14 days after the invoice was sent, the invoice is put on debt collection.

It may happen that the customer disagrees with an invoice. In this case, the sales rep contacts the customer, and amends the invoice if required. This leads to an amended invoice being issued. The customer has 14 days to pay after an amended invoice is issued (after which the same process as above for payment reminder and putting into debt collection is followed).

When an invoice falls into debt collection, the sales rep tries to negotiate a special repayment agreement with the customer. Generally, this leads to a repayment within a few weeks. In very extreme cases where the debt is still outstanding after two months of the invoice due date, the customer is black-listed and the invoice is sold to a debt collection agency.

The equipment that RentIT holds is stored in one of several warehouses. Every piece of equipment undergoes periodic maintenance. When an equipment is due for maintenance, a repairs & maintenance supplier comes to pick it up (there are several such service suppliers for different types of equipment). The same supplier delivers the equipment once the maintenance is completed. The same applies when a piece of equipment breaks. In some cases, the equipment breaks while it is located at a customer’s premises. In this case, the repairs service supplier picks up the broken equipment from the customer’s site, or in some cases, it performs an on-site repair. If the equipment becomes unavailable while it is in use by a customer, the sales rep dispatches an alternative piece of equipment to the customer site. If this is not possible, the original purchase order is updated accordingly, in such a way that the customer is only billed for the days the equipment was in use.

RentIT needs to handle inbound invoices from repair service providers and logistics providers in addition to invoices arising from indirect procurement. RentIT also needs to make recurrent payments for equipment leasing. In order to optimize cash flow, RentIT does not actually own the equipment it rents out but it rather sources it via wholesale equipment lessors. A wholesale equipment lessor is a company that buys equipment, holds the ownership of it, but effectively lends it to companies like RentIT in exchange for monthly fees (this is called a “lease”).

RentIT’s Chief Financial Officer (CFO) and his team are responsible for strategic sourcing of equipment, which involves planning new equipment leasing contracts, retirement of older or broken equipment and negotiation of commercial terms with the equipment lessors. The CFO and his team are also responsible for financial planning and budgeting, financial monitoring, approval of major expenses, and compilation of the quarterly and annual financial reports.

On the other hand, the team of the Chief Operations Officer (COO) oversees the management of the warehouses, human resources, IT systems, office facilities, relations with logistics service providers, equipment maintenance (including scheduling of repairs) and relations with suppliers of repair and maintenance services.

Finally, the Sales Director oversees all sales representatives, and together with his team, he oversees all activities related to marketing, acquisition of new customers (up
to the point where these customers sign a framework agreement), and strategic development of relations with the large customers.

The CFO, COO and Sales Director all report to RentIT’s Chief Executive Officer (CEO).